

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 EUR-08 NEA-06 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 8732

INFO AMEMBASSY ABU DHABI

AMEMBASSY ANKARA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

C O N F I D E N T I A L TEHRAN 9033

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: IRAN'S NATURAL GAS PROJECTS: SITREP

REF: TEHRAN 5536 AND REFERENCES

1. SUMMARY: JOINT LNG VENTURE KALINGAS HAS NOW BEEN FORMED, BUT PROBABLY WILL NOT BE ABLE TO RESUME EXPLORATION DRILLING ON OFF-SHORE "C-STRUCTURE" UNTIL MID-1975. GROUP CONSISTING OF EL PASO (US), SOPEX AND DISTRIGAZ (BELGIUM) HAVE SIGNED MEMORANDIUM OF CONFIDENTIAL

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INTENT WITH NIGC FOR ANOTHER LNG PROJECT USING GAS FROM C-

STRUCTURE. TRIPARTITE MEETING (FRG-GOI-USSR) ON "SWITCH DEAL" MAY BE HELD IN BONN IN NOVEMBER. "SWITCH DEAL" PRESUMABLY WOULD USE GAS FROM ONSHORE DISCOVERIES NEAR KANGAN. ENI-RUHRGAS-GAZ DE FRANCE GROUP, WHICH WAS INVESTIGATING POSSIBILITIES OF PIPELINE TO EUROPE OR LINE TO TURKEY FOR LIQUEFACTION, IS SOMEWHAT DORMAT, BUT GAZ DE FRANCE IS TRYING TO FORM GROUP TO USE ONSHORE KANGAN DISCOVERIES IN SOME FASHION. NIGC HAS ANNOUNCED PLAN TO CONSTRUCT NATURAL GAS PIPE NETWORK IN TEHRAN IN THREE PHASES OVER NEXT 15 YEARS. ACTION REQUESTED: DEPT PLEASE PASS COPY OF ARTICLE ON PAGE 2 OF OCT 14 KAYHAN INTERNATIONAL (CONCERNING THE TEHRAN GAS NETWORK) TO AMAN KHAN, INSITUTE OF GAS TECHNOLOGY (IGT). END SUMMARY.

2. JOINT LNG VENTURE KALINGAS HAS NOW BEEN LEGALLY CONSTITUTED, WITH NIGC HOLDING 50 PERCENT AND FOREIGN PARTNERS HOLDING THE FOLLOWING SHARES: ISC CORP (US) WITH 20 PERCENT, NISSHO-IWAI (JAPAN) WITH 15 PERCENT, CHICAGO BRIDGE AND IRON (US) AND HALFDAN DITLEV-SIMONSEN (NORWAY) WITH 7 AND ONE HALF PERCENT EACH. AS REPORTED, KALINGAS PLANS INITIALLY TO BUILD SIX LNG LINES, EACH TO LIQUEFY 200 MMSCF/D OF METHANE, FOR TOTAL OF 1.2 BILLION SCF/D, WHICH WILL BE EXPORTED HALF TO US AND HALF TO JAPAN. PROBLEM IS DRILLING RIGS: TWO MORE EXPLORATION WELLS ARE NEEDED, TO DEMARCAT OFFSHORE "C-STRUCTURE", BEFORE DEVELOPMENT OF THE FIELD CAN BEGIN. KALINGAS CURRENTLY HAS NO RIG, IS NEGOTIATING FOR ONE THAT COULD NOT BE IN PLACE UNTIL MID-1975, AND IS SHOPPING FOR OTHERS. NIGC OFFICIAL TOLD EMBOFF NIGC IS CONSIDERING PICKING UP TAB FOR REMAINING EXPLORATION DRILLING. PROGNOSIS: UNDER OPTIMUM CONDITIONS KALINGAS CANNOT EXPORT GAS BEFORE 1978-1980.

3. EL PASO NATURAL GAS OF THE US AND SOPEX AND DISTRIGAZ OF BELGIUM HAVE, ACCORDING TO NIGC OFFICIAL, SIGNED MEMORANDUM OF INTENT WITH NIGC TO USE C-STRUCTURE GAS FOR ANOTHER LARGE LNG PROJECT ON PERSIAN GULF. WE DO NOT KNOW SIZE BUT BELIEVE IT TO BE LARGER THAN FIRST STAGE OF KALINGAS PROJECT. PLAN WOULD INVOLVE SHIPMENT IN LNG TANKERS THAT COULD USE SUEZ CANAL EVEN BEFORE EXPANSION. WE DOUBT MUCH PLANNING CAN BE DONE ON THIS PROJECT UNTIL MORE EXPLORATION DATA AVAILABLE ON C-STRUCTURE, THAT IS, UNTIL AT LEAST ONE MORE EXPLORATION WELL HAS BEEN COMPLETED.

4. "SWITCH DEAL", UNDER WHICH IRANIAN GAS WOULD BE DELIVERED TO
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SOVIET CAUCASUS IN EXCHANGE FOR ADDITIONAL DELIVERIES OF UKRAINE GAS TO WEST GERMANY, MAY MAKE FURTHER PROGRESS NEXT MONTH. NIGC SOURCE INDICATED A TRIPARTITE MEETING WILL PROBABLY BE HELD IN BONN IN NOVEMBER. PREVIOUS TRIPARTITE MEETING WAS HELD IN TEHRAN IN MAY. THIS MEETING REPORTEDLY MADE SOME PROGRESS IN DISCUSSING DETAILS OF THE PROJECT, BUT PROGRESS WAS HALTED THEREAFTER DUE GOI/USSR CONFLICT ON GAS PRICE, WHICH WAS RESOLVED LAST AUGUST. GAS FOR "SWITCH DEAL" WILL PRESUMABLY COME FROM DISCOVERIES MADE

ONSHORE NEAR KANGAN BY EGOCO, A SERVICE CONTRACTOR OWNED BY A CONSORTIUM OF EUROPEAN COMPANIES LED BY ERAP OF FRANCE. EGOCO SO FAR HAS DRILLED THREE STRUCTURES, WHICH THEY HAVE NAMED KANGAN, AGHAR, AND BANDUBAST. IN AGHAR, ACCORDING TO NIGC SOURCE AND AMERICAN OILMAN, EGOCO FOUND A PAY ZONE 9000 RPT 9000 FEET DEEP. NIGC SOURCE FEELS 200 TRILLION SCF TO BE CONSERVATIVE ESTIMATE OF RECOVERABLE RESERVES IN EGOCO AREA.

5. ENI-RUHRGAS-GAZ DE FRANCE GROUP, WHICH BEGAN SOME TIME AGO TO INVESTIGATE POSSIBILITIES OF PIPELINE TO EUROPE OR TO ISKENDERUN (TURKEY) FOR LIQUEFACTION AND SHIPMENT TO EUROPE, SEEMS TO HAVE FALLEN DORMANT. RUHRGAS HAS SHOWN INTEREST IN JOINING EL PASO GROUP IN FACT MAY ALREADY HAVE DONE SO, (PARA 3 ABOVE); WHILE GAZ DE FRANCE IS SEEKING TO FORM A NEW GROUP TO PLAN WAYS OF USING GAS FROM EGOCO AREA.

6. NIGC HAS ANNOUNCED (KAYHAN INTERNATIONAL OCT 14) A PLAN TO EXTEND A NATURAL GAS PIPE NETWORK TO HOMES AND BUSINESSES IN NORTH AND CENTRAL TEHRAN. PLAN IS DIVIDED INTO THREE PHASES OF TWO, FOUR AND NINE YEARS. NIGC SOURCE SAID HE WOULD NOT BE SURPRISED IF FIRST PHASE TAKES FIVE YEARS RATHER THAN TWO.

7. ACTION REQUESTED: DEPT PLEASE CALL ARTICLE IN OCT 14 KAYHAN TO ATTENTION OF AMAN KHAN, INSTITUTE OF GAS TECHNOLOGY (IGT). IGT IS BOTH AN ASSOCIATION OF GAS COMPANIES AND A GRADUATE FACULTY OF THE ILLINOIS INSITUTUE OF TECHNOLOGY IN CHICAGO. IGT IS OR WAS IN FREQUENT CONTACT WITH EB/ORF/FSE.
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